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FEDERAL COMMUNICATIONS COMMISSION
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July 11, 1996

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

Re: CC Docket 96-98: Implementation of the Local Competition Provisions of the
Telecommunications Act of 1996

Dear Mr. Caton:

Pursuant to a request from the Common Carrier Bureau staff, MCI is submitting the attached document concerning recent state decisions. Please include the enclosed copies on the record of this proceeding.

Sincerely,

Leonard S. Sawicki

Attachment

cc: Mr. Kapinsky
Mr. Welch

No. of Copies rec'd
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Interconnection: Broadly Construe Technical Feasibility

♦ *ILECs are required to make publicly available immediately all their existing and historical interconnection agreements, including ILEC to ILEC agreements.*

CO Docket No.s 96R-142 and 96R-164T, Order 4/17/96 and Docket No.96S-233T, Order 4/25/96

Adopted emergency procedures covering the filing of interconnection agreements. The PSC directed, pursuant to Section 252(a)(1) of the federal act, that any interconnection agreement negotiated prior to February 8, 1996 be submitted to the Commission on or before May 15, 1996. The written order sets interim rates and requires U.S. West to file comprehensive interim tariffs covering resale, unbundled elements, number portability and collocation by 7/1/96. The ordering language includes the statement that the interim filing is not designed to meet Section 271 requirements and the Commission will not consider it for that purpose. A new CO statute (HB 1010) requires ILECs file interim interconnection tariffs by 7/1/96.

WI Order 05-TI-140 5/17/96

Section 252(a)(1) of the Telecommunications Act requires that all ILECs obtain PSC approval of all agreements with other providers covering telecommunications services. All approved agreements will then become generally available to other telecommunication providers. The Commission provides a schedule for filing with agreements between Ameritech and independent ILECs and GTE and the independent ILECs ("ICOs") due beginning 7/1/96.

DC Order No. 10791 5/13/96

"The Commission is of the view that, pursuant to Sections 252(a)(1) and 252(e)(1) of the Telecommunications Act, any interconnection agreements, including those negotiated before the enactment of the Act, must be submitted to the State commission for approval. Therefore, BA-DC is directed to file all interconnection agreements..[including affiliates]. BA-DC should note that this is a continuing requirement, and all agreements, including those executed subsequent to this Order, must be filed.."

TX Order in Project Number 16101, 6/26/96

Requires all existing jurisdictional agreements negotiated prior to 2/8/96 to be filed by 7/15/96.

OK, KA reported to have similar requirements as of 6/20.

- ◆ *If an ILEC claims that it is not technically feasible to interconnect at a point in its network, or to provide a particular element, a regulatory determination of the validity of the claim must be made within 30 days of either party seeking arbitration.*

WY May, Proposed Rules Section 549 (a) - Network Interconnection

- (v) ILECs shall fulfill bona fide orders for interconnection (IC) in prompt and timely fashion.
- (vi) Rule defines timely as w/in 30 days of request.

◆ *Other Interconnection*

IA Docket No. RMU-95-5, 4/5/96 Order

Provides that local utility originating traffic and desiring to terminate that traffic on another utility may choose the point(s) of interconnection for exchange at any technically feasible point within the terminating carrier's network. (And adopts federal statutory language of equal quality and nondiscrimination). IA explicitly rejected US West position that Iowa require "mutual agreement", with failure to reach agreement defaulting to a choice limited to three possible interconnection points.

WY May, Proposed Rules

Section 549 (a) - Network Interconnection

- (ix) CARE records to be provided immediately by LEC upon notification that customer desires to change.
- (x) Imposes duty to manage repair service and reporting to allow for efficient network corrections.

Unbundled Elements

◆ *Require Online Systems*

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

AT&T's request for inclusion of access to on-line systems, data interfacing, reseller branding and directories in a wholesale local exchange tariff as administrative and support functions constitutes a request for network elements as defined by the federal Act. Accordingly, they should be priced separately based on the pricing requirements of Section 252(d)(1) of the Act. The functions are also part of wholesale services, and when so purchased, the costs should be included in determining avoided costs to provide wholesale services.

FL Order No. PSC-96-0444-FOF-TP, 3/29/96

Commenting on MFS' specific suggestions for an operational process for ordering unbundled elements, for the repair and maintenance intervals, verification of orders for unbundled elements,

and how customer request changes in services should be handled, said:

Upon consideration, we find that these operational requirements are essential to implement unbundling. Accordingly, BellSouth shall file specific operational arrangements that address each of MFS'-FL operational requests. (at 18)

◆ ***Require ILECs To Provide an Unbundled Local Switching (ULS) Element***

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

"Section 251(c)(3) clearly mandates the LDDS and Staff [local switch] platform, (LSP) proposals. This section requires any and all network elements to be made available, in any combination, so that a new entrant can provide service, and that necessarily includes the provision of those elements on a 'total network' or platform basis...

Once the ILEC has received the cost-based price for the LSP, the purchasing carrier is entitled to the use of the network element and all revenues [local exchange, exchange access, etc] for services therefrom....Exclus[ion] of custom calling and CLASS features from the LSP element is....in direct violation of the federal Act. Compliance tariffs shall be filed by Ameritech and Centel within 30 and 90 days, respectively."

◆ ***Require Minimum Elements***

WY May, Proposed Order, Section 549(b) unbundled access

(i) ILEC must make following elements available. Following list subject to further unbundling:

- a) Local Loop Distribution
- b) Local Loop Concentrator
- c) Local Loop Feeder
- d) Local Switching
- e) Operator Services
- f) Tandem Switched Local Transport
- g) Dedicated Local Transport
- h) Interoffice Transport
- i) Signaling Links
- j) Signal Transfer Point
- k) Signal Control Point

(ii) ILEC to provide unbundled elements in (i) in manner that allows requesting carriers to combine as necessary.

(vii) ILECs required to permit and facilitate transmission of signaling info from btw customers and interconnected carriers. May not claim proprietary right to signaling protocols.

WI Docket No. 05-TI-138, 7/2/96:

At a minimum, the Commission finds that ILECs must provide unbundled local loops, local switching ports, local transport, and access to signalling systems and databases necessary for call routing and completion, directory listings, and directory assistance.

Reciprocal Compensation Arrangements

◆ *Explicitly Recognize Co-Carrier Status*

WY May, Proposed Rule (Hunt)

Section 549 (a) - Network Interconnection

(i) Proposed agreements or statement of generally available terms shall be filed for approval w/ the Commission under timetables in the Act.

(ii) CLECS may adopt rates of ILEC.

(iii) ILECS shall provide services as co-carriers. Unbundled elements of LEC must be available on carrier-to-carrier basis.

◆ *Not Force Entrants to Mirror LEC Network*

WI Docket No. 05-TI-138, 7/2/96 found:

"...that ILECs should also [in addition to physical collocation] make available interconnection on a meet-point basis for the termination of calls to competing providers." Recognizing that an ILEC refusal to construct facilities to allow meet-point interconnection could be a vehicle for erecting an entry barrier, the Commission subjected any refusal to several conditions, saying, " First, any such ILEC must publish its rules for refusing to construct facilities. Such rules should stipulate minimum traffic flows or other reasonable criteria, and must apply equally to all providers, and must not be so strict as to exclude any existing EAS or ECC [Extended Ccommunity Calling] routes. Second, the ILEC must allow interconnecting providers to lease dedicated facilities and/or dedicated termination transport and private line or and/or special access rates. Finally, the ILEC shall not refuse to interconnect for the termination of traffic on a meet-point basis if the other requesting provider constructs the entire facility up to the entrance to the provider's central office."

◆ *Rate Levels Should be MTE Unless Traffic Persistently Out Of Balance*

CO Docket No. 96S-233T, Order 4/25/96:

This Commission will order that "bill and keep" shall apply to the expanded interconnection collocation arrangements for the termination of local traffic from the CLEC to USWC's facilities of USWC at the mutually agreed point of interconnection (POI). USWC is directed to clarify Section 21 of its Access Services Tariff and Section 8 of its Private Line Transport Services Tariff, to reflect that under bill and keep, Expanded Interconnection Collocation rates and charges shall not apply. That is, to the extent that Expanded Interconnection Collocation (EIC) arrangements are requested by a CLEC for the provision of its network to its customers then, as an interim measure, this Commission will accept the proposed rates set forth in Section 21.8 of USWC's Access Services Tariff and Section 8.6 of the Private Line Transport Services Tariff. However, to the extent that expanded interconnection collocation arrangements are utilized in the connection of the local network of USWC to that of a CLEC at the mutually agreed POI, no rates

will be charged by USWC to the CLEC for this expanded interconnection.

IA Docket No. RMU-95-5, 4/5/96

Proposed rule is premised on belief that MTE should continue until a local utility shows that imbalance in the traffic justifies the effort involved in monetary compensation. (The proposed rule provides that a demonstration of imbalance will be satisfied if during any six continuous calendar months the average imbalance for the entire six months was greater than a ratio of 55 percent terminating calls and 45 percent originating calls).

WI Docket No. 05-TI-138, 7/2/96 found:

It is just and reasonable for the Commission to determine that a "bill and keep" method for pricing of reciprocal compensation does not violate Wisconsin's statutes and is an appropriate compensation arrangement if there is little difference in the exchange of traffic.

FL Order No. PSC-96-0668-FOF-TP, 5/20/96 :

Mutual traffic exchange appears to be the most efficient, least-cost method of interconnection, and should provide the lowest barrier to entry of any method presented. However, as discussed earlier, if traffic becomes imbalanced to a significant degree, a usage-based rate may be more appropriate. We believe that the companies will be the best judges of which method is least-cost over time.

MI PUC Case No. U-10860 6/5/96

PUC re-authorized interim bill and keep until proper TSLRIC studies filed as required by state statute. Earlier, MI had adopted a modified bill and keep methodology, authorizing assessment of a per-minute charge for local interconnection only if there is a traffic imbalance of greater than plus or minus five percent. Otherwise bill and keep will apply. Re City Signal, Inc., 159 PUR 4th 532, 543-48, 577 (2/23/95).

DC City Council on 7/5/96 (overrode Mayor's veto to) approve Bill 11-258.

The legislation directs bill and keep. (Further approval by DC Control Board and Congress required.)

- ◆ *If Out of Balance, Determine Level by Calculating TSLRIC Incurred by Illec on Termination. Express as a Flat Per-Minute Rate*

WY May, Proposed Order, Section 550(b) compensation among competing LECs

- (i) No LEC shall be subsidized by any other LEC.
- (iv) Charges on per minute basis by one LEC for termination of another LEC's traffic not permissible without showing before Commission and appropriate order.
- (v) Bill and Keep employed until permanent number portability is established and unbundling of

networks accomplished.

◆ *Existing Collocation Rules Must Be Recast*

FL Order No. PSC 96-0444-FOF-TP, 3/29/96 and PSC 96-0811-FOF-TP, 6/24/96:

It is appropriate to allow ALECs to collocate loop concentration equipment. Further the procedures for collocating loop concentration equipment shall be the same as those ordered in the Commission's expanded interconnection proceedings.

FL Order No. PSC-96-0668-FOF-TP 5/20/96:

ORDERED that the ALECs collocated in the same wire center as GTEFL or United/Centel shall be permitted to cross-connect without transiting the LEC switch. GTEFL and United/Centel shall charge the ordering ALEC the special access cross-connect rate. Any tariff provision that would restrict the ability of the ALECs to cross-connect with each other in a LEC central office shall be eliminated.

WY May, Proposed Rules

Section 549 (a) - Network Interconnection

(viii) Physical Collocation of equipment necessary for IC or access to unbundled elements shall be provided at premises of ILEC.

Price Interconnection and Unbundling at Economic Cost

- ◆ *The Pricing Standard That Best Implements the Statutory Command for Prices Based on the Cost of Providing the Interconnection or Network Element, Is Total Service Long-Run Incremental Cost ("TSLRIC").*

MI Case No. U-10860 6/5/96

Orders GTE and Ameritech, within 30 days, to file a tariff for unbundled ports, at a rate equal to TSLRIC for the service and a TSLRIC cost study to support that rate. GTE and Ameritech were also directed to file local traffic termination TSLRIC studies within 60 days.

FL Order No. PSC-96-0811-FOF-TP, 6/24/96

Requires GTEFL and United/Centel to provide rates for unbundled loops to approximate TSLRIC. The Commission directs that TSLRIC estimates be based on the provider's current or prospective network facilities, as opposed to some theoretically optimal network configuration, assuming no facilities are in place. (Hatfield v.2.2 r.1 is a "scorched node" model, as such it assumes certain facilities as "in place.")

WI Docket No. 05-TI-138, 7/2/96 found:

It is just and reasonable for the Commission to require that the definition of total service long-run incremental cost under ss. 196.015 and 196.204(3), Wis.Stats. and any administrative rules further defining TSLRIC, be used as the cost standard referred to in Section 251(d).

WY May, Proposed Order, Section 549(b) unbundled access

(ix) Price of unbundled network elements shall be set at or above TSLRIC.

NM 5/21/96

Commission order in the ISDN proceeding found that U S WEST's (USW) cost studies were "grotesquely flaw[ed]." While U S West originally filed an unlimited usage, flat rate of \$184 per month, the Commission ordered a monthly flat rate of \$40.86 for residential and \$75.79 for business. Both of these rates are for unlimited usage. The Commission also ordered that USW submit, within 6 months of the order, proper TSLRIC cost studies for the services.

Take Access Rates to Costs

FL Order No. PSC-96-0668-FOF-TP, 5/20/96:

Although we are not eliminating the RIC in this proceeding, we do not believe the long run public interest is served when all competitive local carriers are collecting the RIC from IXC's. We believe that none of them should collect it. The RIC should be phased out as soon as possible in the course of the scheduled switched access reductions required by Section 364.163(6), Florida Statutes.

OH Settlement reached between MCI, AT&T, Sprint, Time Warner, Ameritech and Consumer's Council permits Ameritech alternative regulation in exchange for elimination of intrastate CCL effective September 1, 1996. Stipulation requires IXCs to flow through savings, worth about \$25 million annually and more than \$5 million annually for MCI.

WY May, Proposed Order, Section 550

(a) Access Charges: transition of rates toward TSLRIC costs and elimination of subsidies. Rate transition seen as reduction of switched access and toll rates, increase in local rates.

Resale Obligations of Incumbent LECS

◆ *Unrestricted Resale*

IA Centrex Withdrawal denied. Docket No.s FCU-96-1 and FCU-96-3, 6/14/96

The Iowa Utilities Board (IUB) found that U S West's plan to grandparent and withdraw Centrex Plus violated Iowa law by (1) favoring the resellers of its choice to the disadvantage of others, (2) restricting resale so as to lock out potential resale competition and (3) effectively refusing or delaying access to another provider to Centrex Plus local exchange service for resale. The IUB ordered U S West to offer the service until the IUB approves U S West's successor product. It ruled further that the successor product must meet the requirements of state and federal law encouraging local competition. *DOJ Comments to the FCC indicate OR and MN Commissions have also rejected US West's effort to withdraw Centrex. DOJ's position is that the Act does not permit a refusal to resell on the basis of "grandfathering" of existing customers. (DOJ Comments at 56).*

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

Grandfathered and sunsetted services must be made available for resale if requested by a reseller. If requested, the reseller can only provide the requested service to the customers receiving the grandfathered or sunsetted service. (The LEC is not required to offer for resale wholesale promotional offerings and service packages limited to 120 days or less whose price is above the tariffed wholesale price for the service.)

WI Docket No. 05-TI-138, 7/2/96

Found reasonable limits on resale limited to include only a exemption from resale of residential services to business customers and "uniquely rendered services such as 911, TRS and TDD, made available as shared services through group or state contract.

◆ *Explicitly Identify Minimum List of Illec Services as Available for Resale*

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

"The Commission will require Ameritech and Centel to provide access to their AIN triggers...If

Ameritech or Centel is not able to comply with the requirement to provide AIN triggers on a basis that eliminates possible harm to the network, it must submit a full explanation and showing in support thereof with its compliance tariffs...in this proceeding...

Unbundling of Operator Services/Directory Assistance is a necessary requirement for effective competition...The Commission orders Ameritech and Centel to unbundle its OS/DA calls from its total service resale offering pursuant to Section 251 (c) (3)."

WY May, Proposed Order, Section 551

- (a) Any telco services of ILEC shall be available for resale.
- (b) No tariff/price schedule, etc., of ILEC may restrict resale.
- (c) ILECs shall provide electronic interfaces to resellers of local service relative to reseller's customer basis to provide customer service information, etc.

Pricing of Wholesale Services

◆ *Rate Structure*

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

Any prospective wholesale tariff filed by an ILEC must "directly mirror" its retail rate structure...The Commission therefore directs Ameritech and Centel to replicate their retail rate structure, including all discounts, in their wholesale rates...Discount structures, moreover, must be available to carriers on the same basis as they are available to end users...[Centrex] volume and term discounts available to large business customers, must be made available to its carrier customers for resale, in order to comply with the federal Act. Further, the Commission requires that wholesale prices change every time retail prices change, by adopting Staff's methodology on a going-forward basis.

◆ *Avoided Cost Discount*

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

The Commission adopted the avoided cost method proposed by Staff, which sets the wholesale price equal to the retail price of a service minus net total assigned cost (TAC) of the retail functions minus a pro-rata share of joint and common cost (contribution) attributable to the avoided retail functions. (TAC is the long run service incremental cost of a service plus the administrative and shared costs of a family of services. Thus, use of TAC is an application of TSLRIC-pricing to identify avoided cost). The pro-rata attribution results in wholesale customers' paying the same markup (or contribution margin) on wholesale services as exists currently on retail services. The Commission finds the method consistent with Section 252(d)(3). Staff's approach results in an average discount of 20.07% applied on an individual service level. The Commission orders Ameritech and Centel to apply the method on an individual service-by-service element basis.

GA Docket No 6352-U, 5/29/96.

By a 5-0 vote, the GPSC set wholesale discounts at 20.3% for residence service and 17.3% for business service. Finding that BellSouth did not properly account for certain expenses that are reasonably avoidable (emphasis added), the Commission endorsed the "avoidable cost" standard it found mandated by the Federal Act, and further, defined avoidable cost as "...not only direct cost but also indirect cost and resulting overheads associated with an avoided job function, [including] depreciation, administrative expense and corporate overhead to the extent they are avoidable.... Endorsement of a strict avoided cost approach would provide BellSouth with little incentive to reduce or shed costs which are actually avoidable....these costs..would continue to be subsidized by BellSouth competitors; thereby virtually eliminating any form of meaningful competition."

TN Administrative Rule Sec.1220-4-8-11(1),(3) requires incumbent LECs to make all service offerings available for resale, with pricing based on avoided cost. The presumption pending a determination by the PSC of the avoided cost is that avoided cost is 25% of the current LEC retail rate. (Rule presently being reviewed by TN Attorney General for publication under the APA.)

◆ *Operational Parity*

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

"..[R]esellers must have the opportunity to provide every aspect of their retail customer contacts at parity..with the LECs, either directly or through a subsidiary. For example, burdensome requirements such as the LEC's acceptance of only a written letter of authorization before a customer could select a new service provider, or a requirement that resellers submit to a cumbersome 'new installation' type of order process for simple transfers...would be unacceptable. ...Ameritech and Centel will be required to file, with their implementing tariffs, a report demonstrating their compliance with this standard.."

GA Docket No 6352-U, 5/29/96 Operational Interfaces

"Ordered Further, that BellSouth shall establish electronic operational interfaces for pre-service ordering, service ordering and provisioning, directory listing and line information databases, service trouble reporting and daily usage data by July 15, 1996. Access to these interfaces shall be made available to any requesting party at the same terms and conditions...[and]shall provide access ...which is equivalent to that of the incumbent LEC."

◆ *Revenue Retention*

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

"Section 251(c)(3) clearly mandates the LDDS and Staff [local switch] platform, (LSP) proposals. This section requires any and all network elements to be made available, in any

combination, so that a new entrant can provide service, and that necessarily includes the provision of those elements on a 'total network' or platform basis."

Once the ILEC has received the cost-based price for the LSP, the purchasing carrier is entitled to the use of the network element and all revenues [local exchange, exchange access, etc] for services therefrom....Exclus[ion] of custom calling and CLASS features from the LSP element is....in direct violation of the federal Act. Compliance tariffs shall be filed by Ameritech and Centel within 30 and 90 days, respectively."

FL Order No. PSC-96-0668-FOF-TP, 5/20/96:

Finally, we find that the RIC shall be collected by the carrier performing the terminating end office switching function, whether it is the LEC or ALEC.

♦ *Directory Listings*

IL Docket 95-0458 and 95-0531 (Consol.) 6/26/96

Ameritech must include resellers' customers in its directories at no charge for standard listing and at LRSIC (long-run service incremental cost) plus a reasonable contribution for special listing.

FL Order No. PSC-96-0668-FOF-TP, 5/20/96: In summary, we find it appropriate to require United/Centel to provide directory listings for the respective ALEC customers in United/Centel's white page and yellow page directories at no charge. United/Centel shall also publish and distribute these directories at no charge. To ensure compatibility with United/Centel's database, United/Centel shall provide the respective ALECs with the appropriate database format in which to submit the necessary information. Enhanced listings shall be provided to the respective ALEC customers at the same rates, terms and conditions offered to United/Centel customers.

Decisions Affecting Arbitration and Bargaining Position of Entrants

FL Order PSC-96-0668-FOF-TP, 5/20/96

Tariffing the interconnection rates, terms, and conditions means that any certified ALEC can purchase the rates, terms, and conditions contained in the tariff. This would not preclude companies from negotiating different arrangements...

Upon review of the record, we find that the interconnection rates, terms, and conditions set in this proceeding shall be tariffed. First, tariffs avoid discrimination against other ALECs who want to interconnect with United/Centel and GTEFL in the future. Second, Section 364.162(2), Florida Statutes, states that arrangements shall be filed before they can become effective. An appropriate means of "filing" these arrangements is to file them as a tariff. Third, by filing the arrangements as tariffs, the information is publicly available. Therefore, we find that United/Centel and GTEFL shall file tariffs regarding their interconnection rates and other arrangements set by the Commission within 60 days of the issuance of this Order or 60 days after the order regarding motions for reconsideration if there are any filed.

WI Docket No. 05-TI-138, 7/2/96 found:

It is just and reasonable for the Commission to require that the definition of total service long-run incremental cost under ss. 196.015 and 196.204(3), Wis.Stats. and any administrative rules further defining TSLRIC, be used as the cost standard referred to in Section 251(d). *The Commission intends the standard to apply to arbitrations.*

WI Docket No. 05-TI-138, 7/2/96 found:

Ameritech and GTE are required to file tariffs for resale services, unbundled services and for interconnection.

The tariffs are to include a "range of rates." The order provides examples:

- * wholesale rate = retail down to maximum discount
- * unbundled network element = retail down to TSLRIC

Note: the bottom of the range may be stated in the abstract (i.e., TSLRIC not \$9.48). The top shall be explicit. The Commission notes that when parties are negotiating these rates, data to support the range should be shared. The tariffs must be filed within 45 days of the mailing Order, approx. by mid-August. The ILECs may seek an extension on the 45 days. This is intended as an alternative to negotiation for CLECs who favor speedy entry over price.

WI Order in Docket 05-TI-140 addressing Procedures for Mediation.. and Arbitration

WI adopted a procedural rule which includes the duty to negotiate in good faith and to ascertain compliance, WI will examine whether any party refuses to provide information about cost to other parties. The WI Staff has sent a letter to Ameritech indicating its view that Ameritech should be supplying cost information to entrants, to comply with this rule.

/end